

GENERAL LIABILITY TRUST FUND

The General Liability Trust Fund (GLTF) defends state employees from lawsuits that arise from the performance of their official duties. Coverage is broad and includes automobile liability.

The GLTF arranges for the defense of lawsuits and sets aside a monetary reserve for each claim in the amount of the ultimate expected loss. Defense is conducted by the Office of the Attorney General in collaboration with GLTF.

Terms and conditions of coverage are set forth in written guidelines with a coverage limit of \$1 Million per occurrence, regardless of the number of plaintiffs or defendants. The \$1 Million limit also includes defense costs.

In 2001:

The GLTF finished the year with a positive fund balance, although net revenues for the year were lower than expenditures.

The GLTF co-sponsored, with the Attorney General, two governmental liability seminars for attorneys who represent covered employees.

Employee Automobile Liability

GLTF provides liability coverage for the operators of more than 7,000 state owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company, a highly regarded, financially secure reinsurer.

In addition, more than 8,000 employees regularly use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance. Finally, all state employees are covered for use of any vehicle on state business in the line and scope of employment, whether they regularly do so or not.

Auto Exposure Table

<u>Class</u>	<u>Description</u>	<u>Number Insured</u>				
		<u>FY 2001</u>	<u>FY 2000</u>	<u>FY1999</u>	<u>FY1998</u>	<u>FY1997</u>
001	Private Passenger	1,899	1,803	1,854	1,987	2,201
002	Pickups & Vans	2,783	2,390	2,467	2,537	2,616
002A	Mercedes Utility	3	3	0	0	0
003	Trucks & Tractors	1,400	1,231	1,310	1,317	1,350
004	Law Enforcement	1,018	1,056	982	919	872
005	Buses	509	481	469	475	435
	Total Vehicles	7,612	6,964	7,082	7,235	7,474
*020	Class I Drivers	5,921	5,742	6,312	7,284	8,734
**021	*Class II Drivers	13,230	13,247	13,727	14,623	26,838

* Class I drivers are State employees who regularly use their personal autos to perform their State job.

**Class II drivers are all other State employees who do not qualify as Class I.

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) pays medical costs for on-the-job injuries and compensates injured employees for resulting lost work time. This program is similar to the private sector workers' compensation program.

In 2001:

Intracorp became the contract provider for SEICTF's medical utilization review and management of the preferred provider network.

The recruitment of independent medical case managers reduced the costs of medical case management.

Premium-paying agencies continued to be charged only about half the rates charged by private sector workers' compensation insurers.

SEICTF's net revenues were down compared to FY 2000 but fund equity increased for the third consecutive year.

SEICTF entered into a partnership with the Department of Public Health to offer the Hepatitis B vaccine to employees at risk for exposure to blood and other infectious materials.



RISK MANAGEMENT SERVICES

Pursuit Driver Training Courses for law enforcement personnel covered by the GLTF are available to state agencies through DORM.

A Boiler Operator Training Course for boiler operators and maintenance personnel is conducted annually at no cost for agencies which participate in the State Insurance Fund. The course focuses on proper maintenance and safe operation of pressurized equipment. The 2001 course was attended by more than 100 agency representatives.

More than 2,800 boilers and other items of pressurized equipment were inspected during 2001. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdown, property damage and personal injury.

Two seminars for state attorneys who defend General Liability Trust Fund cases were co-sponsored by DORM and the Office of the Attorney General.

THE EMPLOYEE ASSISTANCE PROGRAM

The State Employee Assistance Program (EAP) provide services to 112 state agencies and departments covering more than 21,000 employees and family members.

The EAP operates similarly to most broad based EAP services in the private sector. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various problems. EAP deals with issues such as supervisor/employee conflict, personal finances, marital and family disruptions, drug and alcohol abuse, and emotional and mental stresses.

In 2001:

- There were 96 intake assessments, 185 cases overall and 266 follow-up visits. A total of 712 service hours were provided to clients.
- Females represented 59% of clients, males 41%. Family members of employees represented 4% of total participation.
- 38% of clients were minority individuals.
- Emotional problems were the most frequent primary issue for clients (47%), followed by work-related issues (21%) and absenteeism(6%).
- 29% of clients had 16 or more years of state service.
- Supervisor/employee conflict was the most frequently reported performance problem, followed by quality/quantity of work performed and problems with fellow employees.
- 51% of clients were self-referred, 18% were referred by supervisors and 28% were recommended by their supervisor.
- 40% of clients became aware of the program's services through their supervisor.
- 39% of clients had some college education, 37% had a college degree, and 6% had an advanced degree.

Staff

STATE INSURANCE FUND INVESTMENT NOTES

Status - September 30, 2001	<u>2001</u>	<u>2000</u>	<u>% Change</u>
Alabama Incentives Financing Authority	\$32,865,000	\$32,372,000	1.5
Government National Mortgage Association	6,215,625	5,294,789	17.4
Other Government Agencies	20,201,638	22,500,421	(10.2)
Commercial Paper	6,376,301	900,724	607.9
Corporate Bonds and Notes	3,473,841	2,374,117	46.3
Common and Preferred Stock	7,218,914	10,886,061	(33.7)
Total Cash Securities	\$76,351,319	\$74,328,112	2.7
Real Property (Buildings Depreciated)	18,527,824	18,589,101	(0.3)
Total Investments	<u>\$94,879,143</u>	<u>\$92,917,213</u>	<u>2.1</u>

Investment Income

Interest Earned	\$4,749,093	\$4,130,182	15.0
Change in Fair Value of Investments	(3,376,229)	(198,436)	(1,601.4)
Stock Dividends	140,601	284,124	(50.5)
Amortization/Depr Income	(344,958)	(463,304)	(25.5)
Rental Income	738,209	1,104,200	(33.1)
Total Investment Income	<u>\$1,906,716</u>	<u>\$4,856,766</u>	<u>(60.7)</u>

**STATE INSURANCE FUND
BALANCE SHEET
UNAUDITED
AS OF SEPTEMBER 30, 2001**

ASSETS	FY 2001	FY 2000	FY 1999
Cash and Cash Equivalents	\$1,073,425	\$966,330	\$2,376,972
Accounts Receivable - Premium	10,417	4,456	852
Accrued Interest Receivable	533,176	646,602	574,201
Investments:			
Securities	43,486,319	41,956,112	30,608,902
Alabama Incentives Financing Authority	32,865,000	32,372,000	31,887,000
Real Estate	18,527,824	18,589,101	23,312,709
Prepaid Insurance	2,520,625	2,093,301	2,022,172
Fixed Assets (Net)	131,123	171,455	201,551
TOTAL Assets	\$99,147,909	\$96,799,357	\$90,984,359

LIABILITIES & FUND EQUITY

Current Liabilities:			
Accounts Payable	\$57,939	\$19,388	\$79,100
Premium Adjustment Modification		736	827
Total Current Liabilities	57,939	20,124	79,927
Liabilities for Unpaid Claims:			
Unpaid Claims & Expenses	6,551,521	5,553,594	4,829,071
Claims Incurred But Not Reported	1,463,587	1,453,595	1,340,620
Total Claim Liabilities	8,015,108	7,007,189	6,169,691
TOTAL Liabilities	8,073,047	7,027,313	6,249,618
Fund Equity:			
Fund Balance	91,074,862	89,772,044	84,734,741
TOTAL Liabilities & Fund Equity	\$99,147,909	\$96,799,357	\$90,984,359

**STATE INSURANCE FUND
STATEMENT OF REVENUE AND EXPENSES
UNAUDITED
SEPTEMBER 30, 2001**

	<u>FY 2001</u>	<u>FY 2000</u>	<u>FY 1999</u>
REVENUES:			
Earned Premiums	\$11,504,086	\$10,611,168	\$10,258,420
Recoveries	28,529	91,560	44,540
Investment Income	2,366,716	4,856,766	4,826,420
Other Income	3,188,538	348,119	19,369
TOTAL REVENUES	\$17,087,869	\$15,907,613	\$15,148,749
EXPENSES:			
OPERATION:			
Loss and Adjustment Expenses	\$10,687,754	\$6,044,505	\$10,043,049
Incurred But Not Reported Expense	9,992	112,975	(2,781,107)
Reinsurance Expense	4,625,350	3,720,562	4,057,885
Actuarial Services	11,560	11,030	25,564
Investment Expenses	182,429	236,109	157,820
Prior Period Adjustments		58,984	
Legal Fees (Cost Allocation Defense)	274,053	174,188	24,301
Total Operation	15,791,138	10,358,353	11,527,512
ADMINISTRATION:			
Personnel Salaries	574,825	544,527	484,638
Employee Benefits	134,328	121,664	103,952
Travel In-State	32,440	36,787	33,602
Travel Out-of-State	3,000	3,000	7,733
Repairs and Maintenance	624	6,199	17,020
Rentals and Leases	2,764	3,658	81,581
Utilities and Communication	14,970	13,456	15,325
Professional Services - Non-Claim	149,291	66,416	255,609
Supplies, Materials & Operating Expense	32,246	25,180	46,750
Transportation Equipment Operations	8,243	10,000	10,441
Depreciation Expense	70,946	74,910	71,068
Total Administration	1,023,677	905,797	1,127,719
TOTAL EXPENSES	16,814,815	11,264,150	12,655,231
NET REVENUES	\$273,054	\$4,643,463	\$2,493,518

STATE INSURANCE FUND
Underwriting Revenues and Expenditures
Other Revenues and Expenditures
Ten Year Income Summary

	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
UNDERWRITING REVENUES:										
Earned Premium	11,504,086	10,611,168	10,258,420	11,241,583	10,327,384	10,412,815	9,499,058	8,973,580	8,047,785	6,644,134
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	9,689,827	5,319,982	10,188,763	5,545,411	8,928,710	7,928,188	5,544,523	4,854,099	4,222,778	1,737,080
Claims and Expenses Unpaid	997,927	724,523	(145,714)	(631,543)	(5,503,094)	3,819,476	707,459	(903,805)	6,699,762	(579,700)
IBNR Expenses	9,992	112,975	(2,781,107)	3,598,616	523,111		(527,000)	3,102		
Total Losses Incurred	10,697,746	6,157,480	7,261,942	8,512,484	3,948,727	11,747,664	5,724,982	3,953,396	10,922,540	1,157,380
Less Recoveries	28,529	91,560	44,540	309,709	1,591,592	406,032	1,049,479	508	9,535	2,929
Net Claims	10,669,217	6,065,920	7,217,402	8,202,775	2,357,135	11,341,632	4,675,503	3,952,888	10,913,005	1,154,451
Insurance Rating Services					1,022	10,384	5,303	1,916	4,923	13,286
Actuarial Services	11,560	11,030	25,564	29,981	43,747	11,140	8,289	25,000	25,000	41,950
Reinsurance Premium	4,625,350	3,720,562	4,057,885	3,945,428	3,471,031	3,401,536	3,412,891	2,918,638	1,436,915	1,378,375
Administrative Expenses	1,023,677	905,797	1,127,719	1,057,148	889,797	953,491	1,070,968	929,620	734,308	743,552
Net Claims and Expenses	16,329,804	10,703,309	12,428,570	13,235,332	6,762,732	15,718,183	9,172,954	7,828,062	13,114,151	3,331,614
Net Underwriting Revenues	(4,825,718)	(92,141)	(2,170,150)	(1,993,749)	3,564,653	(5,305,368)	326,104	1,145,518	(5,066,366)	3,312,520
OTHER REVENUES:										
Investment Income	2,366,716	4,856,766	4,826,420	3,207,728	4,518,319	4,615,308	6,495,559	5,652,592	6,048,578	6,259,143
Other Income	3,188,538	348,119	19,369		287	20	32,112	83,303	2,406	2,009
Total Other Revenues	5,555,254	5,204,885	4,845,789	3,207,728	4,518,606	4,615,328	6,527,671	5,735,895	6,050,984	6,261,152
OTHER EXPENSES:										
Appraisal Services					5,245			1,495	1,490	
Investment Expenses	182,429	236,109	157,820	612,809	119,908	104,883	129,264	143,094	131,092	30,503
Penalty Expense				3,467,825						
Prior Period Adjustments		58,984								
Legal Defense Fees	274,053	174,188	24,301	30,587	376,071	51,902	188,671	337,858	99,717	
Total Other Expenses	456,482	469,281	182,121	4,111,221	501,224	156,785	317,935	482,447	232,299	30,503
Net Other Revenues	5,098,772	4,735,604	4,663,668	(903,493)	4,017,382	4,458,543	6,209,736	5,253,448	5,818,685	6,230,649
REVENUES Before Adjustment	273,054	4,643,463	2,493,518	(2,897,242)	7,582,035	(846,825)	6,535,840	6,398,966	752,319	9,543,169
Premium Adjustment Modification										8,021,928
NET REVENUES	273,054	4,643,463	2,493,518	(2,897,242)	7,582,035	(846,825)	6,535,840	6,398,966	752,319	1,521,241